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014208.1388 (70-00-005)

PATENT APPLICATION
Serial No. 09/800,535

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IN THE CLAIMS

Applicant is amending Claim 57 so that, after amendment, it will read as set forth in the clean version thereof which appears below. Applicant is enclosing a marked-up version of Claim 57, showing in bold type the changes which have been made to Claim 57 by this Amendment.

57. (Amended) The logic of Claim 40, wherein the logic is further operable to generate a message to settle all of the financial transactions stored in the memory as a function of at least one of: the number of financial transactions in the memory, an aggregate value of the financial transactions in the memory, and the occurrence of a designated time.

REMARKS

Claim 57 has been amended. Claims 1-2, 4-6, 8-46, 48, 50 and 52-59 are present in the application. In view of the remarks which follow, reconsideration is respectfully requested.

Amendment to Dependent Claim 57

Claim 57 depended from Claim 33, but this was an inadvertent typographical error. In particular, Claim 57 should have depended from Claim 40, in order to have a proper antecedent basis for certain references in Claim 57 to previously-recited limitations, which appear in Claim 40. The foregoing amendment adjusts Claim 57 so that it depends from Claim 40, rather than Claim 33. This amendment is implemented to improve the form of Claim 57, and not to effect any alteration to the intended scope of Claim 57.

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Functional Language

Applicant's last Response pointed out that case law has established that functional claim language must be taken into account, and that the PTO is bound by and adheres to this requirement. In the Office Action (last paragraph on page 2 and first paragraph on page 3), the Examiner admits that this case law requires functional language to be taken into account, but asserts that this is only true for purposes of analyzing claims under 35 U.S.C. §112, and not for purposes of analyzing whether a claim is distinct from the prior art under 35 U.S.C. §§102 and 103. In short, the Examiner asserts that even though functional language must be taken into account under §112, it must be ignored for purposes of §§102 and 103.

Hypothetically, this means that if a claim has a functional limitation which is needed in order for its scope to be definite, then the claim has a definite scope for purposes of §112, but an indefinite scope for purposes of §§102 and 103. This makes no sense, and Applicant respectfully submits that the position taken in the Office Action is baseless. There is no statute or rule which authorizes the PTO to take a portion of a claim into account for purposes of §112 while ignoring the same portion of that claim for purposes of §§102 and 103, such that the claim has one scope for purposes of §112 and an entirely different scope for purposes of §§102 and 103. Claim language which is taken into account for the purpose of analyzing a claim under §112 is also taken into account for the purpose of analyzing that claim under §§102 and 103. Since the Examiner has admitted that case law and PTO policy require functional language to be taken into account for purposes of §112, there is no merit in the assertion that the same language can be ignored for purposes for §§102 and 103.

Independent Claim 1

Claim 1 stands rejected under 35 U.S.C. §102 as anticipated by Weber U.S. Patent No. 5,889,863. This ground of rejection is respectfully traversed, for the following reasons.

Claim 1 recites a processor which is operable to "determine whether the financial transaction involves a micro-payment", and then to handle the transaction in one of two different ways, depending on whether or not it was determined that the transaction should involve a micro-payment. The Examiner has noted that the Weber patent makes a vague reference to micro-payments. For example, at lines 24-28 in column 15, Weber states that a payment gateway has "support built in to accommodate future payment instruments such as . . . micro-payments". However, setting aside this type of extremely vague reference to micro-payments, Weber does not provide any detailed disclosure of exactly how the use of micro-payments could actually be implemented. More important, Weber appears to have absolutely no disclosure of the concept of having a processor determine whether or not a particular financial transaction should involve a micro-payment, and then handling that financial transaction in one of two different ways, depending on whether or not the processor decided the transaction should involve a micro-payment.

In explaining the rejection of Claim 1 based on Weber, the Examiner does not assert that Weber discloses the concept of having a processor determine whether or not a particular financial transaction should involve a micro-payment, and then handling that financial transaction in one of two different ways, depending on whether or not the processor decided the transaction should involve a micro-

payment. Instead, in the last paragraph on page 6, the Examiner merely asserts that these limitations of Claim 1 are functional limitations which can be completely ignored for purposes of §102, even though the Examiner admits at the bottom of page 2 that the same limitations must be taken into account for purposes of §112. Applicant respectfully submits that these limitations cannot be ignored for purposes of §102, and that when these limitations are taken into account, they clearly distinguish Claim 2 from the Weber patent, because Weber does not disclose anything even remotely similar. Consequently, since Weber does not disclose each and every element recited in Claim 1, Claim 1 is not anticipated by Weber under §102. Accordingly, Claim 1 is believed to be allowable, and notice to that effect is respectfully requested.

Independent Claim 48

Independent Claim 48 stands rejected under 35 U.S.C. §102 as anticipated by Weber. The reason given in the Office Action is the same reason given for the rejection of Claim 1 based on Weber. This ground of rejection for Claim 48 is respectfully traversed, for the following reasons.

Claim 48 recites a processor which is operable to determine "whether the financial transaction involves a micro-payment", and to then handle the financial transaction in one of two different ways, depending on whether or not it was determined that the transaction should involve a micro-payment. It is respectfully submitted that Claim 48 is patentably distinct from the Weber patent, for the same basic reasons discussed above with respect to Claim 1. In particular, the Examiner does not demonstrate that Weber

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actually discloses this distinct subject matter, but instead asserts that although the limitations in Claim 48 which recite this distinctive subject matter must be taken into account for purposes of \$112, these same limitations can be ignored for purposes for \$102. Applicants respectfully submit that these limitations cannot be ignored for purposes of \$102 and that, when taken into account, they recite subject matter which is clearly not present in Weber. Weber thus does not disclose each and every element recited in Claim 48, and Claim 48 is therefore not anticipated by Weber under \$102. Accordingly, Claim 48 is believed to be allowable, and notice to that effect is respectfully requested.

Independent Claim 19

Independent Claim 19 stands rejected under 35 U.S.C. \$102 as anticipated by Elgamal U.S. Patent No. 6,138,107. This ground of rejection is respectfully traversed, for the following reasons.

Claim 19 recites a method which includes "determining in an automated manner whether the financial transaction involves a micro-payment". In Elgamal, the text at lines 21-31 in column 7 explains how Elgamal implements a micro-payment transaction. In particular, Elgamal explains that a customer (1) shops electronically through a network, (2) decides to buy a particular item, and (3) then decides whether or not he will pay for the item with his micro-payment Electronic Money Account (EMA), rather than his credit cards or a bank account. Elgamal goes on to explain exactly how this micro-payment transaction is carried out. It should be noted that, once the customer makes the decision about whether or not the transaction should involve a micro-payment, the transaction is then carried out to conclusion in a pre-defined

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manner without any computer making an automated determination about whether or not the transaction should involve a micro-payment.

On page 4 of the Office Action, the Examiner asserts that "Elgamal teaches automated determination" of whether or not the transaction should involve a micro-payment. In support of this assertion, the Examiner goes on to make the further assertion that the "merchant" and the "customer" in Elgamal are each a software application program, because Elgamal refers (in lines 16 and 25 of column 8) to "a customer application 36" and "a merchant application 42". Applicant respectfully traverses these assertions. In particular, Elgamal treats the "customer" and the "customer application 36" as separate and distinct, and also treats the "merchant" and the "merchant application 42" as separate and distinct. The "customer" is a person, whereas the "customer application 36" is a program used by the "customer". Similarly, the "merchant" is a person or persons, whereas the "merchant application 42" is a program used by the "merchant". Elgamal makes it clear (for example at lines 21-27 of column 7) that it is "customer" (rather than the "customer application 36") who "shops on the network and decides to buy an item", and who then makes the decision regarding whether or not the transaction will involve a micro-payment. This decision by the customer is not automated.

Thus, Elgamal does not appear to teach or suggest any type of automated determination of whether or not a given transaction should involve a micro-payment. Therefore, it is respectfully submitted that Elgamal does not disclose each and every feature recited in Claim 19, and that Claim 19 is thus not anticipated under §102 by Elgamal. Accordingly, Claim 19

is believed to be allowable, and notice to that effect is respectfully requested.

Independent Claim 33

Claim 33 stands rejected under 35 U.S.C., §102 as anticipated by Elgamal. This ground of rejection is respectfully traversed. Claim 33 recites logic which is encoded in media and which is operable to "determine whether the financial transaction involves a micro-payment". As discussed above in association with Claim 19, Elgamal teaches that it is a person (namely the "customer") who makes the decision as to whether or not a transaction will involve a micro-payment, and Elgamal does not appear to teach any structure which is capable of making a determination of whether or not a particular financial transaction should involve a micro-payment. Therefore, it is respectfully submitted that Claim 33 is not anticipated by Elgamal under §102, because Elgamal does not disclose each and every feature recited in Claim 33. Claim 33 is therefore believed to be allowable, and notice to that effect is respectfully requested.

Dependent Claims 10, 24, 38 and 58

Dependent Claims 10, 24, 38 and 58 each recite that the determination of whether or not a financial transaction should involve a micro-payment is effected as a function of (1) whether the amount of the financial transaction is below a predetermined threshold, (2) a frequency of such financial transactions, and/or (3) an identify of the customer. The Examiner concedes that this subject matter is not disclosed in the Weber patent or in the Elgamal patent. Instead, the Examiner turns to the Dahlstrom article. In particular,

Claims 10 and 58 each stand rejected under 35 U.S.C. §103 as obvious in view of a combination of teachings from Weber and Dahlstrom, and Claims 24 and 38 each stand rejected under 35 U.S.C. §103 as obvious in view of a combination of teachings from Elgamal and Dahlstrom.

In setting forth these grounds of rejection in the Office Action, the Examiner relies on some quoted language, which the Examiner states is from page 2 of the Dahlstrom article. However, the quoted language does not appear anywhere within the copy of the Dahlstrom article which the PTO previously provided to Applicant, and in particular does not appear on page 2 thereof. The Examiner also quotes some other language, and indicates that it is from page 4 of the Dahlstrom article. However, the copy of the Dahlstrom article which the PTO previously provided to Applicant has only three pages, and thus does not have any page 4.

To facilitate resolution of these problems, Applicant is enclosing a courtesy copy of the three-page Dahlstrom article, as previously received from the PTO. Based on the statements in the Office Action, it seems possible that the Dahlstrom article may actually have more than three pages, and that the PTO omitted some of these pages from the copy of Dahlstrom which was previously sent to Applicant. However, in view of the format of the Dahlstrom article, including the fact that all of the pages are completely unnumbered, it is difficult or impossible to determine from the face of Applicant's copy whether portions are missing and, if so, how many pages are missing. The undersigned's staff checks references received with Office Actions, and will normally flag any such reference which appears on its face to be incomplete. However, the copy of the Dahlstrom article which

Applicant received from the PTO does not give any obvious indication on its face that it may not be complete.

To the extent that the pending Office Action is relying on certain language quoted from Dahlstrom, which is not in Applicant's copy of Dahlstrom, Applicant respectfully submits that the Examiner has not carried the burden of providing Applicant with a copy of the Dahlstrom article which actually includes this specific language. Accordingly, until the Examiner cures this defect, it is respectfully submitted that the rejection of Claims 10, 24, 38 and 58 based on Dahlstrom is defective, and must be withdrawn. In the event the Examiner determines that the copy of the Dahlstrom article which was previously sent to Applicant is incomplete, and then decides to send Applicant a complete copy of Dahlstrom, it is respectfully requested that the Examiner restart the shortened statutory period for a response so that it begins on the date on which a complete copy of Dahlstrom is actually mailed to Applicant.

For the reasons discussed above, it is respectfully submitted that Claims 10, 24, 38 and 58 are each patentably distinct from Weber and Elgamal, even when either of these patents is considered in combination with the copy of the Dahlstrom article which was previously sent to Applicant (and which does not include the particular language which the Examiner asserts is being quoted from Dahlstrom). Claims 10, 24, 38 and 58 are thus believed to be allowable, and notice to that effect is respectfully requested.

Dependent Claims

Claims 2, 4-6, 8-9, 11-18 and 55 each depend from Claim 1, and are also believed to be allowable over the art of

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record, for example for the same reasons discussed above with respect to Claim 1.

Claims 20-23, 25-32 and 56 each depend from Claim 19, and are also believed to be allowable over the art of record, for example for the same reasons discussed above with respect to Claim 19.

Claims 34-37, 39-46 and 57 each depend from Claim 33, and are also believed to be allowable over the art of record, for example for the same reasons discussed above with respect to Claim 33.

Claims 50, 52-54 and 59 each depend from Claim 48, and are also believed to be allowable over the art of record, for example for the same reasons discussed above with respect to Claim 48.

Conclusion

Based on the foregoing, it is respectfully submitted that all of the pending claims are fully allowable, and favorable reconsideration of this application is therefore respectfully requested. If the Examiner believes that examination of the present application may be advanced in any way by a telephone conference, the Examiner is invited to telephone the undersigned attorney at (214) 953-6684.

Although Applicant believes that no additional fees are due, the Commissioner is hereby authorized to charge any fee required by this paper, or to credit any overpayment, to

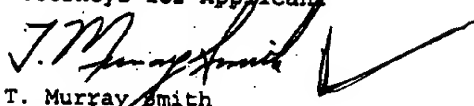
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Deposit Account No. 05-0765 of Electronic Data Systems
Corporation.

Respectfully submitted,
BAKER BOTTS L.L.P.
Attorneys for Applicant


T. Murray Smith
Reg. No. 30,222
(214) 953-6684

Date: June 27 2003

BAKER BOTTS L.L.P.
2001 Ross Avenue
Suite 600
Dallas, TX 75201-2980
(214) 953-6500

Enclosures: Marked-Up Version of Amended Claim 57
Copy Of Dahlstrom article, as received
from the PTO (3 sheets)

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MARKED-UP VERSION OF CLAIM 57.

57. (Amended) The logic of Claim [33] 40, wherein the logic is further operable to generate a message to settle all of the financial transactions stored in the memory as a function of at least one of: the number of financial transactions in the memory, an aggregate value of the financial transactions in the memory, and the occurrence of a designated time.

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Understanding the need for micro payments in the digital age

Banking Policy Report; New York; Aug 1999; [Erik Dahlstrom](#)

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We are reminded frequently of the increased number of Internet connections, improved performance of our networks, and boom World Wide Web usage. We are fed with numbers estimating and implying the future importance of the Internet and what a profitable marketplace it will become.

Let us join that mainstream of fans and accept the Internet as being the most important trading tool since the invention of credit itself. Let us assume it will become a giant shopping mall, global and accessible to everyone. However, many issues need to be resolved, chief among them is providing the right payment services. Although the Internet has developed quickly, finding a payment system that is acceptable to users has proven to be a difficult task.

This article describes one of the most important payment needs for the new digital economy-micro payments. If there is a need making very small payments, what will drive it and how fast? Micro payments are unique because they must be performed with exceptionally low transaction costs when compared with normal payments.

First, it is necessary to put micro payments into perspective.

Payment Methods

A number of different payment methods exist:

Cash: Cash represents real value. If you have a \$10-note in your hand, that is all you can spend. This makes cash the only payment method that is a legal means of payment.

Electronic cash: True electronic cash also represents real value and is therefore a legal means of payment. This means that all value resides on a chip or a hard drive. It is transferred directly when a transaction occurs, rather than from an associated account.

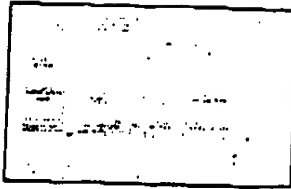
Pre-authorized tokens: Most electronic purses and "net money" schemes work as pre-authorized debit cards. The clearing has been done, and value has been debited from your account prior to the purchase. You can then use your tokens until you reach the limit of the debited amount. Consequently, no authorization is needed making the pre-authorized transaction cheaper.

Debit cards: Clearing is made shortly after you request a transaction (or sometimes instantly), and value is transferred from your account. This payment method requires each transaction to be authorized by the bank.

Credit cards: The credit card works similarly except the credit card company pays for your spending up to a limit. At the end of the credit period, you pay the credit card company an agreed amount of the credit used.

Checks: A check also works like a debit card. By signing a check, you authorize a transaction from your account. The check must be authorized by the bank.

It is important to note that a "micro payment" is not a payment method, but a payment need. Different payment methods satisfy



Enlarge 200%
Enlarge 400%

Figure 1:

Pre-paid aggregation tokens: Pay-per-view (before). You pay for your tokens before usage. One credit or debit card transaction gives you a spending limit/credit note.

Subscription: Pay-once-view-all. Or, in other words, paying a monthly subscription. The transaction will again be a credit or debit card transaction.

The following conclusions can be drawn:

Micro payments can be avoided by using subscriptions. The advantage of using subscriptions is that the feeling of being "meter" can be avoided. The mainstream surfer is not likely to appreciate that metering of downloads will be added to the metering of electricity and Internet connections.⁵ There is an attraction in the simplicity of subscriptions ("pay once-unlimited use"). The downside of using subscriptions is that consumers could feel "fenced in." Once a subscription is paid, the money is spent.

Micro payments can partly be avoided by aggregation billing or pre-paid aggregation tokens. By using tokens or some other means of registering a low-value purchase, a bank's authorization can be avoided. It doesn't matter whether the transaction is authorized before (pre-paid tokens) or after (aggregated billing) it is processed. The key is that the transaction costs can be minimized by avoiding online authorization. The transaction overhead can be low enough to make the transaction qualify as a micro payment.

The only "pure" form of micro payments (without turning them into credit or debit card payments) is electronic cash. Electronic cash is a term describing how online cash payments are made. Some believe electronic cash could satisfy consumers' different payment needs, not only in the real marketplace, but the virtual one as well.

Is There a Need for Micro Payments?

If it is agreed that micro payments will fill a gap in Figure 1 (see page 3), is there a need to supply a payment method/solution to that gap? Not in the real marketplace. Many attempts have been made to launch electronic cash schemes for use on the Internet. However, as much as electronic cash has been on everybody's lips, it has enjoyed minimal success. The most fundamental reason is the Internet is not fully understood.

Many mistakenly see the transformation of the Internet from a global information source into a global shopping mall as resulting in the need for micro payments. This process is moving slower than expected. Electronic cash, for example, was expected to expedite the process. It has not. Primarily high-value goods and services are traded, and a micro payment method has no major role on the Internet today.

Instead, it is the transformation of the Internet from a global source of information into a global source of information FOR SALE that will create need for micro payments.

The question to ask is whether most information will be for sale on the Internet. Will there be a so-called information industry where information is treated as a good, rather than a free service? In any case, it will take some time before there is a larger network of pay-per-view information services. Because the vast majority of information services are free today, a reverse process must begin—"what used to be free will now have a cost." Naturally, this can not happen over night.

If an information industry evolves, it will operate under the same rules as any other market. Competition will be tough and the market will mature quickly as has been the case in other markets. The winners are those companies that are large or specialize. The winners of this new market will be:

The Information Portals—companies that can provide a hub for everything I want to know and;

The Information Experts—companies that can provide me with the information that my portals failed to give me.

The portals (such as Yahoo, Netscape, MSN, AOL, CompuServe, and others) are likely to offer customers a large number of information services or even mix-and-match services. The most obvious way to charge for these services is by subscription, but not pure electronic cash.

transaction.

2. Nielsen J., User Interfaces for Internet Payments, useit.com, January 1998.

[Footnote]

3. The user still has some control since he/she has to act by clicking on a link.

4. Compared to other higher value payments.

[Footnote]

5. In Europe, phone costs vary, but are generally quite high compared to the United States.

6. Griffiths D., Smart Card Acceptance - Up to the Consumer, InTouch March 1999.

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